



DEALER TAX WATCH OUT

If you had called me personally to ask, "What's happening lately with IRS audits of dealers and dealerships that I need to know about?" ... Here's what I'd say:

#1. DEALER PORCs ... STILL THE HOTTEST SUBJECT ... *"The Other White Meat."*

Throughout the summer, the IRS has continued gathering more information on PORCs. On August 19, the IRS PORC Task Force held a meeting with various industry professionals, in which, we are told, it made clear that it was still in an information gathering mode and that Notice 2002-70 was not aimed only or specifically at auto dealer PORCs.

Apparently, there are many IRS audits of dealerships going on and one specific area that agents are directed to investigate involves dealer-PORC activities. In addition, we are told that the Service has initiated audits of several promoters. Publicly, IRS representatives have stated that properly structured and implemented PORC programs should not have any problems.

One reader, a CPA, recently called to say that he has a dealer with 3 PORCs that were formed last year. In reviewing the PORC tax returns, he noticed that they did not have any disclosure statements attached. In response to his questioning the Big Four return preparer about their absence, he was told that the decision had been made that disclosure was not necessary because the reinsurance company had reported losses! What do you think about that?

On a related note, we are aware that some advisors have interpreted the Regulations to not require disclosure (even though the taxpayer is subject to Notice 2002-70) if the PORC had filed a tax return on or before February 28, 2000. We need some clarification on this point.

#2. SAFEGUARDING CUSTOMER INFORMATION ... *Not exactly a current dealer tax development, but certainly a current dealer practice development opportunity.* May 23, 2003 was the effective date for the Federal Trade

WATCHING OUT FOR

DEALER TAX WATCH OUT	1
SAFEGUARDING CUSTOMER INFORMATION ... & SAVING YOUR DEALER FROM THE FTC ... A PRACTICE DEVELOPMENT OPPORTUNITY	3
CASH TRANSACTIONS & MONEY LAUNDERING ... IRS EMPHASIZES IMPORTANCE OF FORM 8300 REPORTING & PROPER BEHAVIOR	7
REMOVING TRADE DISCOUNTS AND ADVERTISING EXPENSES FROM INVENTORY COSTS ... A CURRENT HOT METHOD CHANGE FOR DEALERS	10
CURRENT TAX STRATEGIES & IRS ACTIVITIES ... A PRACTICE GUIDE OUTLINE FOR YOUR STAFF & AUTO DEALER CLIENT SEMINARS	16

Commission's *Standards for Safeguarding Customer Information*. These rules implement the Gramm Leach Bliley Act which requires all "financial institutions" ... and that includes auto dealerships ... to "safeguard customer information" in accordance with its rather general requirements.

Some CPAs have been helping their dealers understand what they are required to do and implementing appropriate procedures. See pages 3-6. If you're not inclined to see this as work your firm wants to venture into, one service provider, The Lauer Group (888-527-1725), offers a comprehensive, dealer-specific turn-key program that does just about everything you can think of at rather reasonable prices.

LOOKING FOR ADDITIONAL & "VALUE ADDED" SERVICES FOR DEALER CLIENTS?

Look no further... Just use the *Dealer Tax Watch* for a head start in golden consulting opportunities and activities to help dealer clients—and, in the process, to help yourself.

see DEALER TAX WATCH OUT, page 2